

Message Text

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73

ACTION EB-07

INFO OCT-01 EUR-12 EA-06 NEA-09 ISO-00 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 RSC-01 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 OMB-01 L-02 IGA-01 /063 W

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R 231709Z JAN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7459

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY LONDON

AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: INDIAN DEBT RESCHEDULING

REF: STATE 273320; BONN 882

1. ON JANUARY 22 EMBOFF DISCUSSED US INTEREST IN
HANDLING INDIAN DEBT RESCHEDULING IN SEPARATE CREDITOR
CLUB FRAMEWORK WITH GEHRING IN FRG ECONOMICS
MINISTRY, WHO HANDLES MOST OF FRG DEBT RESCHEDULING
WORK IN CREDITOR CLUBS. WHILE GEHRING AGREED THAT
THERE WERE ADVANTAGES TO HAVING INDIAN RESCHEDULING
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HANDLED BY DEBT EXPERTS, HE STRESSED THAT THERE WERE

FURTHER CONSIDERATIONS THAT MILITATED AGAINST
SEPARATION OF RESCHEDULING FROM AID PLEDGING EXERCISE:

A. IT HAS SO FAR BEEN EASY WITHIN INDIAN CONSORTIUM
TO SWITCH AMONG ALTERNATIVE INSTRUMENTS OR MEANS
IN PROVIDING OVERALL ASSISTANCE PACKAGE TO INDIA.
THIS WOULD BE MUCH MORE DIFFICULT IF NOT IMPOSSIBLE
IF A SEPARATE CREDITORS CLUB WERE SET UP.

B. AS A MATTER OF OPTICS, DONORS CAN NOW PRESENT
CAPITAL AID AND DEBT RESCHEDULING IN ONE BASKET.
IF THESE TWO INSTRUMENTS ARE NEGOTIATED SEPARATELY,
IT WOULD BE MORE DIFFICULT TO CONVINCE INDIA THAT
THEY BOTH REPRESENT ASSISTANCE BY THE DONORS INVOLVED.

C. NEITHER IBRD NOR LDCS WOULD WELCOME EFFORT TO
SPLIT AWAY RESPONSIBILITY FOR RESCHEDULING. SO UNLESS
THERE ARE CONVINCING REASONS FOR DOING SO, IT DOES
NOT SEEM TO FRG TO BE WORTH IT TO RISK THE POLITICAL
PROBLEMS THAT MIGHT BE INVOLVED.

2. GEHRING NOTED THAT THESE ARE STILL PRELIMINARY
FRG VIEWS, AND THAT FRG WILL BE DISCUSSING THIS
QUESTION WITH OTHER EC COUNTRIES NEXT WEEK AT EXPORT
CREDIT GUARANTEE EXPERTS MEETING IN BRUSSELS.
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN01202
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750026-0302
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750128/aaaaaycq.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 273320, 75 BONN 882
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 04 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 APR 2003 by BoyleJA>; APPROVED <07 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDIAN DEBT RESCHEDULING
TAGS: EFIN, IN, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006